

**LRA Meeting: June 12, 2007**

**SUBJECT: Onizuka Air Force Station: Homeless Housing Notice of Interest,
Deficiency Correction Phase, and Alternative Site Strategy
(Information Only)**

REPORT IN BRIEF

This report addresses three elements in the current planning for the civilian reuse of Onizuka Air Force Station (AFS): 1) Notices of Interest (NOIs) received from agencies providing homeless housing; 2) the identification of possible deficiencies in the NOIs; 3) staff's strategy to explore alternative sites for homeless housing per guidelines of the U.S. Department of Housing and Urban Development (HUD).

Staff has further reviewed the NOIs and identified gaps or deficiencies. In order to enable the homeless service providers to address these deficiencies, staff will notify both homeless service providers of the informational omissions in the NOIs. Both agencies will be given 30 days to cure the deficiencies. Onizuka AFS Local Redevelopment Authority (LRA) staff will evaluate their responses and report back to the LRA with recommended actions.

BACKGROUND

In response to the 2005 BRAC process, the Department of the Air Force designated the Onizuka Air Force Station as "excess" and advertised the property to other Department of Defense (DoD) branches and Federal agencies through release of a "Notice of Availability." For more detailed background regarding the BRAC process for Onizuka AFS, please see the May 16, 2006 Report to Council No. 06-003, *Convene Onizuka Air Force Station Redevelopment Authority to approve LRA Reuse Planning Process ...*. Pursuant to this federal screening process, the Department of Veteran Affairs (VA) submitted an "Expression of Interest" requesting headquarters offices, storage buildings and vacant acreage for surface parking. The Air Force then declared the "remainder parcel" as surplus and the DOD formally recognized the City of Sunnyvale as the Local Redevelopment Authority (LRA) for Onizuka Air Force Station on April 6, 2006 with authority and responsibility for planning the site's conversion to civilian reuse. The City Council, acting as the LRA, initiated a local screening process in which State and local agencies and non-profits could express interest in the property by submitting a Notice of Interest.

The Base Closure Community Redevelopment and Homeless Assistance Act of 1994 requires the LRA to conduct outreach to homeless services providers who may have an interest in submitting an NOI for a portion of the property for homeless housing and to identify information to include in an NOI. The Act also mandates that, in developing their reuse plan, LRAs *balance* the needs of the homeless with other community economic development and redevelopment objectives.

Sunnyvale's homeless needs are set forth in City of Sunnyvale 2005-2010 Consolidated Plan (Con Plan). The Con Plan was initiated in 2004 as a five-year strategic planning document to outline a strategy for Sunnyvale's overall housing and community development needs. According to the Con Plan the City of Sunnyvale's share of the current estimated unmet needs in housing for the county's homeless population is measured in beds: for individual homeless the gap is 73 in emergency shelter, 102 in transitional housing and 62 in permanent supportive housing. For persons in families the gap is 11 in transitional housing and 15 in permanent supportive housing (Con Plan, p. ES-6).

On June 28, 2006, the LRA published an advertisement in the *San Jose Mercury News* and the *Sunnyvale Sun* seeking submissions of Notices of Interest (NOIs) from state and local governments, homeless services providers and other interested parties and announced the LRA's NOI Workshop held on September 13, 2006.

- (A) Pursuant to the Redevelopment Act, 24 CFR 586.20(c) 2(ii), HUD listed specific areas of concern to be included in the Notices of Interest from representatives of the homeless. The LRA is responsible for identifying the specific information that homeless services agencies submit with their NOIs.

In response to the LRA's outreach and newspaper notices soliciting NOIs, two local nonprofit housing developers and homeless service providers submitted NOIs for two different parcels of the Onizuka site. These two parcels – at opposite ends of the site – are shown on Attachment A, Onizuka Air Force Station - Site Map. During an initial review of the submission documents, LRA staff determined that each of the homeless service agencies were generally responsive to the request for information in the "Instructions for Completing Notice of Interest" and qualified for further consideration. Based on this determination, the January 30, 2007 LRA Report (LRA No. O7-001), *Onizuka BRAC - Preliminary Review of Conditions of Property, and Notices of Interest Received (Information Only)* proposed three subsequent steps to ensure balanced consideration of NOIs: 1) include homeless housing among conceptual options to be considered by the LRA in Phase II; 2) further review

the two NOIs for merit and suitability during consideration of alternative uses; and 3) begin to explore alternative sites to the Onizuka site that may be more appropriate for accommodating homeless housing, should the LRA wish to pursue this option. The NOIs for homeless housing are summarized below:

I. NOI by Mid-Peninsula Housing Coalition/Shelter Network of San Mateo

(A) Program, Project and Gap Description

Mid Peninsula Housing Coalition and Shelter Network of San Mateo County (MPHC/SN) are private non-profit 501(c) (3) corporations. MPHC is a leading developer of assisted rental housing in Northern California. Shelter Network provides housing, emergency shelter, short and long-term transitional housing, childcare and comprehensive support services.

The proposed project would consist of a newly constructed housing development. The new development would include one phase with 81 studios, plus a manager's unit, and another phase with 44 one- and two-bedroom apartments, plus a manager's unit. Each phase would include 1300-2000 square feet of community space, along with landscaped outdoor areas and recreational space featuring a playground and a basketball court. The buildings would be two- and three- story wood-framed construction.

The proposed project would be built in two phases, with each phase serving a different population: Phase I would contain 81 studio apartments and serve 40 chronically homeless and disabled individuals. Rents would be limited to 30% of resident income with no minimum income. The remaining 41 studios would be available to extremely low income individuals (earning below 30% of area median income) at risk of homelessness.

Phase II would consist of 44 one- and two-bedroom units for families. Of these, 22 units would be rented to chronically homeless families with a disabled adult. Rents would be similarly limited to 30% of household incomes. The other 22 units would be leased to extremely low income families.

(B) Physical Requirements

The NOI requests 4.2 vacant acres in the southwest corner of the Onizuka site, see Attachment A, *Onizuka Air Force Station - Site Map*. The NOI neither requires nor rehabilitates existing buildings. The applicant requests a deed transfer of the property, but would consider a no cost 75+ year lease.

(C) Financial Plan

The NOI proposes to finance \$28,653,212 construction from the following sources: Tax Credit Proceeds, Federal Home Loan Bank, Affordable Housing Program, State of California Multi-Family Housing Program, general partner

equity, deferred developer fees and a City loan of \$1,388,781. The loan is to increase the operating reserve if the studio rents do not keep up with operating expenses. The request is for a non-amortized “below the line” soft debt that would only be repaid should reserves later prove unnecessary because rental and other incomes have kept pace with operational expenses.

(D)Time Schedule

The agencies wish to finalize a legally binding agreement by December 2009; MPHC would submit all entitlements to the City by April 2010. MPHC would complete financing applications during the spring and fall 2011, with building permits and site transfer by December 2011.

II. NOI by Charities Housing Development Corporation, InnVision, Catholic Charities of Santa Clara County and Next Step Center.

(A) Program, Project and Gap Description

Charities Housing Development Corporation (CHDC), is a non-profit housing development corporation and would serve as the lead agency for the project, all other partners will enter into contractual agreements with CHDC to provide supportive services as 501(c)(3) tax-exempt non-profits.

- InnVision provides several services including homeless shelters in San Jose and Palo Alto and manages transitional housing programs for homeless veterans, transitional housing for single women and for mothers with children; a rotating shelter; a drop-in center; food and clothing closet, and other supportive programs.
- Catholic Charities has provided comprehensive social services in Santa Clara County for over 50 years and has extensive experience providing case management, housing services, shared housing, housing counsel, employment and behavior health, substance abuse services, financial education and many additional services to diverse populations.
- Next Step Center has provided supportive services to homeless veterans in Santa Clara and San Mateo counties since 1988. Next Step facilitates the transition to self-sufficiency, independent living, and jobs.

The proposed project is a three story 86,000 gross square foot (gsf) complex to consist of 118 efficiency studios for single resident occupancy, and two resident manager units with one or two bedrooms. The units average 325 gsf. One third would be furnished and six units would be fully handicapped accessible. The project includes tenant common areas: a kitchen, lounge, community room offices and a computer room, a tot lot, outdoor seating, bicycle storage area and parking. An additional 18,000 gsf would be built for supportive service offices and for the primary business and service offices of the Next Step Center. Finally, the NOI proposes a possible addition of 10,000 gsf administrative

offices shared by other non-profit agencies, subject to the ability to finance a collaborative space.

(B) Physical Requirements

This NOI requests approximately three acres, including the parking lot area east of the VA building, a portion of which is also sought by VA, and is bounded by Matilda Ave., the VA site, the fire station and Innovation Way (see Attachment A). The NOI requests no existing buildings. The proposed site is currently vacant, unused except for parking, and contains no major buildings.

(C) Financial Plan

The total project cost is estimated at \$32,773,000. The proposed construction financing draws on the following sources: Tax Credit Proceeds, Federal Home Loan Bank Affordable Housing Program, State of California Multi-Family Housing Program, a deferred developer fee, HUD funds, the County of Santa Clara Affordable Housing Fund, and SCC Housing Trust Fund. The NOI requests a deed transfer of ownership, but also raises the prospect of a 66-year no cost lease.

The construction financing also includes an \$8,260,000 City grant to the project, and anticipates five years of the City's Community Development Block Grant (CDBG) funding of \$30,000 for public services to Next Step for a projected five-year revenue gap in operating funds.

(D) Time Schedule

The agencies anticipate that the total project will take approximately six years (5 years and 10 months) from the time of entering a legally binding agreement through final construction and occupancy.

Proposal Summaries

The two proposals are summarized and their total effect noted in the following table:

Table No. 1
SUMMARY OF HOMELESS HOUSING NOI PROPOSALS

Project Elements	MID-PENINSULA HOUSING COALITION SHELTER NETWORK	CHARITIES HOUSING DEVELOPMENT CORP. INNVISION / NEXT STEP CATHOLIC CHARITIES	TOTAL
Acres Requested	4.2	3.0	7.2
Buildings Needed	0	0	0
Studio Units (SROs)	81	118	199
1-2 Bed Room Units	44	2	46
Individuals Assisted			
Chronic/Disabled Homeless	40	25	141
Extremely low income	41	0	
Veterans	0	15	
Homeless in Transition	0	20	
Families Assisted			
Chronic/Disabled Homeless	22	60	104
Extreme low income	22	0	
Common Areas	14,690 gsf	28,000 gsf	42,690
Project Costs	\$28,653,212	\$32,773,000	NA

EXISTING POLICY

Legislative Management Sub-Element

Goal 7.3.C: Participate in intergovernmental activities, including, national, state and regional groups, as a means to represent the City's interests, influence policy and legislation, and enhance awareness.

To balance homeless needs for housing with community needs for economic development and redevelopment, the LRA relies, in part, upon two pre-existing public policies respectively: 1) the City of Sunnyvale 2005-2010 Consolidated Plan adopted by the City Council in May 2005 with 2) a preexisting consensus of community needs codified in the City of Sunnyvale Policy Framework, the General Plan, Zoning Ordinances, and most relevant – the Moffett Park Specific Plan (MPSP) adopted in April 2004.

DISCUSSION

The NOIs submitted by homeless service providers receive three phases or levels of review: the first assessed that NOIs provided a response to each general category of information requested by the LRA; the second identifies gaps or deficiencies; the third will consider the responses to the identified gaps and deficiencies and will review the NOIs in relation to the formation of the Reuse Plan.

Examples of Deficiencies

There are two examples of deficiencies in both NOIs that illustrate the deficiency correction process:

One example relates to the site-specific policy that site amenities should be appropriate to the proposed use and population served. In addressing this broadly acknowledged policy, the California Tax Credit Allocation Committee (CTCAC) assigns federal and state Low Income Housing Tax Credits to housing projects using evaluation criteria that considers residential amenities in proximity to the site, especially those appropriate to the residential population to be served. As a local reviewing agency for the CTCAC, the City of Sunnyvale typically reviews site amenities, delineates distances, and compares them to CTCAC's "ideal" standards appropriate for urban tax credit applicants. Except for bus stops and light rail stops all other site amenities are substantially beyond the distance considered ideal for an urban housing project. If unable to mitigate or compensate for the lack of resident access to such amenities, each NOI would be considered deficient.

The second example relates to the policy that projects should be feasible and programs should be self sustaining without reliance upon City financial resources to bridge gaps in project feasibility or program self sufficiency. The City has not proposed that funding be made available for site development, to bridge financial gaps affecting feasibility or to ensure program self sufficiency.

Both of these conceptual deficiencies will be addressed during the "deficiency correction phase."

Deficiency Correction Process

To provide agencies with an opportunity to clarify the LRA's understanding of the project, staff will provide homeless service agencies submitting NOIs with a notification describing any deficiencies found in each proposal. The notice will request that each agency fully respond to all noted deficiencies within thirty

days and provide the missing information, cure the deficiencies, or identify how the agency proposes to cure the deficiencies.

In the examples cited, the agencies must provide revised information on how the project operations will mitigate the lack of identified site amenities. Any additional costs associated with the mitigation actions, for instance through the provision of onsite services, must be included within the 15-year pro forma operating budget for each project.

Following the resubmission deadline, staff will evaluate each NOI response and prepare a report to the LRA recommending actions on each NOI.

Alternative Site Strategy

In the January 30, 2007 report to the LRA, staff noted that Federal regulation (C5.4.9.2.) allows the LRA to determine that a homeless facility would be incompatible with the proposed reuse plan. In such cases, the regulations indicate that, “it **may** (emphasis added) *be in the public interest for the LRA, at its expense, to offer property off the site, or other assistance or resources, to homeless representatives, instead of the surplus property at the site.*” Section 586.20(c) (4) states that the LRA may “*Consider various properties in response to the notices of interest. The LRA may consider property that is located off the installation.*”

Among the action steps proposed in the report were: 1) include homeless housing among conceptual options; 2) further review the two NOIs for merit and suitability during consideration of alternative uses; and 3) begin to explore other sites that may be more appropriate for accommodating homeless housing, should the LRA wish to pursue this option.

As part of the review process and in preparation for the development of a final plan for submittal to HUD, staff is conducting an exploration of alternative sites in Sunnyvale that might be available for development of housing similar to the projects proposed in the NOI submittals. Staff will conduct the following steps to identify alternative sites suitable for homeless housing:

- a. Review NOIs to identify essential minimum requirements and preferred characteristics of development sites for NOI proposals.
- b. Identify public agencies with potential alternate sites, including but not limited to City of Sunnyvale, Santa Clara County, VTA, school districts.
- c. Schedule meetings with 6 to 10 agencies to review potential sites.

- d. For each site identified, prepare property profiles including land use, zoning, density, number of units, estimated market value, environmental issues if available, special features, proximity to appropriate amenities.
- e. Prepare draft and final technical memorandum summarizing analysis and availability of potential sites.

Staff anticipates completion of these efforts as part of Phase II and will prepare a report for the LRA describing the results.

A community's response to base redevelopment will vary according to the size, setting, and complexity of the installation. Ultimately, the LRA must submit an application that "balances" the expressed needs of Sunnyvale for economic redevelopment, redevelopment, and homeless assistance. The process outlined in this report is one method to achieve that balance in preparation for HUD's review of the Redevelopment Plan to determine its compliance with the Act.

SUMMARY

In summary, staff will initiate a deficiency correction phase to permit homeless housing service providers to present information on how NOI deficiencies will be corrected. Staff will explore alternative sites that could accommodate NOI-proposed development.

As this is an Information Only report there is no recommendation.

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Attachments

A. Onizuka Air Force Station - Site Map

Onizuka Air Force Station - Site Map

Veteran Affairs Application for Offices & Notice of Interest (NOI) in Homeless Housing

